

Older Neighborhoods Case Study: 626 E. Princeton Avenue



Description

The lot at 626 E. Princeton Avenue is currently vacant. It was purchased by Granville Homes for \$53,000. At the time of purchase, an existing home on the lot was in poor condition. Granville demolished the existing home with plans to construct a new, single-family home in its place. However, according to Granville, several issues have prevented the home from moving forward, including permitting delays and resident design review committee procedures. The lot abuts an auto repair shop to the west and a single-family home to the east.

Lot Specifications

- 0.16 acres / 7,155 sf

Zoning

- Residential zoning
- Subject Tower District Specific Plan Design Guidelines
- The Draft General Plan Future Land Use map calls for “Medium Density Residential” at this location, which allows for 5-12 dwelling units per acre, consistent with the existing historic neighborhood fabric.



626 E. Princeton, looking southeast



626 E. Princeton, looking southwest

Proposed Project

Granville plans to build an 1,800 sf, 3 bedroom, 2 bath single-family home with attached 2-car garage on the site.

Financials

Total Development Cost

<u>Land Acquisition 10/16/12</u>		\$53,000
<u>Hard Cost</u>		
New Construction	\$ 69.24	\$128,856
Asbestos/Demo - Actual		\$6,125
Grading w/Import		\$6,000
<i>Subtotal Hard</i>		<hr/> \$140,981
Construction Contingency @	5%	<u>\$7,049</u>
Total Hard Cost		\$148,030
<u>Soft Cost</u>		
Permits/Plan Review	\$ -	\$2,396
School Fees - Commercial	\$ -	\$0
School Fees - Residential	\$ 3.20	\$3,408
Design (A&E)		\$3,000
Acq/Legal/Taxes/Insurance		\$0
Developer Supervision/Overhead	7%	\$15,750
Other/Contingency @% of Hard	0%	<u>\$0</u>
Total Soft Cost		\$24,554
<u>Financing Cost</u>		
Financing Fees (pts)	0.0%	\$0
Interest During Construction	6.50%	<u>\$0</u>
Total Financing Cost		\$0
TOTAL DEVELOPMENT COST (TDC)		\$225,583

Cons./Perm. Financing	\$162,500
	<u>\$63,083</u>
	\$225,583

NOI	13,036
Cap Rate	<u>0.00%</u>
FMV	250,000
LTV	<u>65.00%</u>
Loan	162,500

Return on Cash

225,583 Total Development Cost

13,036 Net Operating Income

5.78%

5.50% Cost of Money

0.28% Net Return

Notes:

If financed at 65% LTV, loan will be \$162,500 and shortfall will be financed with developer equity line

Estimated Permit Fees:

599	Permits
432	Fire, Energy, Plan Che
140	Off-Site Improvement F
<u>1171</u>	
1225	RTMF
<u>\$ 2,396</u>	Assuming NO impact f